

Message Text

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SUBJECT: ETHIOPIAN SPICE NATIONALIZATION

REF: A. STATE 117201; B. ADDIS 6432

1. ACCORDING TO SANDELIN, KALAMAZOO SPICE PURSUING TWO SEPARATE COURSES OF ACTION REGARDING NATIONALIZATION ITS INTERESTS IN ETHIOPIAN SPICE. FIRST, THEY ARE WORKING ON THE DEVELOPMENT OF AN OPERATIONAL RELATIONSHIP BETWEEN KALAMAZOO SPICE AND ETHIOPIAN SPICE EXTRACTION AND SECOND, THEY ARE PURSUING QUESTION OF COMPENSATION TO KALAMAZOO SPICE FOR ITS SHARES IN ETHIOPIAN SPICE.

2. WITH RESPECT TO OPERATIONAL RELATIONSHIP, SANDELIN AND NEW BOARD OF ETHIOPIAN SPICE HAVE TENTATIVELY AGREED ON CONSULTANCY CONTRACT TO INCLUDE MARKETING ARRANGEMENTS. SANDELIN QUITE PLEASED WITH PROPOSED CONSULTANCY CONTRACT AND HOPES TO OBTAIN APPROVAL OF KALAMAZOO SPICE BOARD.

3. REGARDING A COMPENSATION, AFTER DISCUSSIONS WITH AMBASSADOR, ECON/COMMERCIAL COUNSELOR AND GOVERNOR OF NATIONAL BANK, TAFFARA DEGUEFE, SANDELIN CONCLUDED THAT EPMG COMPENSATION COMMITTEE REQUIRES MORE TIME TO DEVELOP ITS GENERAL GROUND RULES. CONSEQUENTLY, SANDELIN DID NOT PRESS FOR CLARIFICATION OF STATUS OF COMPENSATION. HE INDICATED TO AMBASSADOR THAT KALAMAZOO SPICE WILL PROBABLY RECONSIDER SITUATION AROUND AUGUST. AN IMPORTANT ASPECT OF KALAMAZOO'S ATTITUDE TOWARD COMPENSATION WILL BE THE SUCCESS (OR FAILURE) OF WORKING OUT AN ACCEPTABLE OPERATIONAL RELATIONSHIP BETWEEN ETHIOPIAN SPICE AND KALAMAZOO SPICE. IF

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SATISFACTORY OPERATIONAL RELATIONSHIP ACHIEVED, KALAMAZOO IS

OIKELY TO BE MORE RELAXED ABOUT COMPENSATION.

4. COMMENT: SANDELIN SATISFIED WITH VISIT AND IS MODERATELY OPTIMISTIC ABOUT ACHIEVING A REASONABLE ORGANIZATIONAL RELATIONSHIP WITH ETHIOPIAN SPICE. HE WAS TOLD INFORMALLY THAT HE HAS BEEN REMOVED AS GENERAL MANAGER, BUT INDICATED THAT HE EXPECTED THE EPMG TO APPOINT A NEW GENERAL MANAGER. HE IS CONCERNED, HOWEVER, ABOUT COMPENSATION AS KALAMAZOO SPICE HAS AROUND 80 PER CENT OF ITS EQUITY INVESTED IN ETHIOPIAN SPICE. HE STATED THAT THE COMPANY WOULD HAVE TO TAKE A HARD LOOK AT THE SITUATION BEFORE IT BEGAN PAYING ITS BILLS TO ETHIOPIAN SPICE IN AUGUST. HUMMEL

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